IN THE UNITED STATES COURT OF FEDERAL CLAIMS

FMS INVESTMENT CORP., *et al*., Plaintiffs, v. THE UNITED STATES, Defendant, and ALLTRAN EDUCATION, INC. Intervenor-Defendant.	)))))))))))))))	Nos. 18-862C, 18-872C, 18-873C, 18-889C, 18-894C, 18-895C, 18-901C (consolidated) Judge Thomas C. Wheeler

INDEX TO THE ADMINISTRATIVE RECORD

Report on Initial Observations from the Fiscal-Federal Student Aid Pilot for Servicing Defaulted Student Loan Debt

In February 2015, the Bureau of the Fiscal Service (Fiscal) at the U.S. Department of the Treasury (Treasury) and the Office of Federal Student Aid (FSA) at the U.S. Department of Education (Education) launched a two-year pilot program (pilot) focused on the servicing of defaulted student loans. The pilot has provided Fiscal, and the federal government more broadly, with first-hand exposure to the experience of student loan borrowers in default and the effort to assist them. The pilot is ongoing and while early results are preliminary, this report provides initial findings from the first year; notes the challenges in the servicing of defaulted student loans; and explores what could be potential improvements in the collections process.

I. BACKGROUND

Pursuant to the Debt Collection Improvement Act of 1996 (DCIA), Fiscal collects and resolves delinquent, federal non-tax debts on behalf of most federal agencies. These obligations range from collecting and resolving loans such as home mortgages insured by the Department of Housing and Urban Development and business loans insured by the Small Business Administration to recovering other obligations including fines assessed by enforcement agencies such as the Federal Trade Commission and overpayments by federal agencies. After approximately 30 days of servicing, Fiscal typically refers the debt to one of four private collection agencies (PCAs) that continue collection activity, unless the debtor has agreed to repay the debt in full or enters into another repayment agreement, or initiates administrative wage garnishment (AWG) proceedings.

While federal agencies are required to refer all delinquent, non-tax debts to Treasury for servicing, the DCIA provides Treasury with the ability to exempt particular categories of debt. In 2001, Treasury exercised this exemption authority and exempted FSA's student loan debt from the referral requirement. Accordingly, FSA manages the collection and resolution of delinquent federal student loan debt.

The pilot was designed to give Fiscal first-hand experience in servicing the defaulted federal student loan debt usually collected by FSA through its contracted PCAs or by guaranty agencies that participate in the legacy Federal Family Education Loan program. To do this, FSA referred a small sample of loans from its outstanding defaulted loan portfolio to Fiscal for collection.[1] In total, Fiscal received 16,242 defaulted loans representing 5,729 borrowers. At the time of referral, borrowers have been delinquent on these loans for at least one year. Fiscal followed the processes and guidelines outlined by FSA as if it were a PCA, and trained its employees participating in the pilot and modified its processes in order to handle these loans.[2]

[1] The loans referred in the pilot were at varying stages of default. A segmented assessment of collections practices of loans in different stages of default would require a more targeted loan pool.

[2] FSA provided borrowers with due process prior to the referral of loans to Fiscal. Due process provides borrowers the opportunity to repay, dispute, or otherwise resolve their loans before their loans are referred to Fiscal for collections. Like loans FSA assigns to one of its PCAs, FSA maintains responsibility for reporting to the credit bureaus and referring debts to the Treasury Offset Program and for federal salary offset of debts referred to Fiscal as part of the pilot.

Defaulted student loans, such as those referred in the pilot, differ significantly from other federal debts managed by Fiscal. Typically, federal agencies refer debts to Fiscal for collections by the time they reach 180 days of delinquency. In contrast, student loans are at least 420 days delinquent before they are first referred to PCAs by FSA.[3] Many defaulted student loan loans have been referred to multiple PCAs, and some borrowers may not have ever made a payment on the loan. The loans referred to Fiscal in the pilot have been in default for, on average, six years, and 57 percent of borrowers had already been referred to one or more PCAs prior to their referral to Fiscal. Accordingly, this is a category of federal debt that is very difficult to resolve.

Table A: Pilot Loans by Number of Prior PCA Referrals

Number of Prior PCA referrals	*Number of Borrowers*	*Balance of Loans ($mm)*	*Average Time Since Loan Origination*	*Average Time in Default*
All Loans	5,729	$80.1	10 years	6 years
No prior PCA referrals	2,486	$45.3	5 years	1 year
1 prior referral	524	$7.5	6 years	2 years
2 prior referrals	467	$5.3	7 years	3 years
3-4 prior referrals	744	$6.9	8 years	5 years
5 or more prior referrals	1,508	$15.1	20 years	17 years

There also are several unique loan repayment options available for student loans that borrowers may not be aware of or understand. Most delinquent federal debts are repaid through one of three options: (i) a payment in full of outstanding principal and interest; (ii) a compromise;[4] or (iii) an installment payment agreement for up to 36 months. Student loan borrowers may have additional options including (i) an installment payment agreement of up to 240 months, (ii) consolidation (if loan(s) have not previously been consolidated) and (iii) a loan rehabilitation (if loan(s) have not previously been rehabilitated).[5] Borrowers may ultimately be eligible for repayment options that are based on the borrower's income, and these plans have additional elements that require explanation. These additional options, while of potential value to borrowers, present additional communication challenges.

II. PILOT RESULTS THROUGH FEBRUARY 2016

As noted, Fiscal received a total of 16,242 defaulted loans owed by 5,729 borrowers with a balance of approximately $80 million. The loans were received from FSA in two pools with an initial referral of loans in February 2015 and a second referral at the end of August 2015. This referral process contrasts with FSA's normal process by which PCAs receive a referral of new

[3] The Higher Education Act defines default for federal student loans as loans greater than 270 days delinquent.
[4] Federal agencies generally have authority to enter into compromise agreements with debtors to settle outstanding debt. In a compromise agreement, a debtor agrees to make a lump sum payment for a predetermined dollar amount by a specific date.
[5] Debts also can be resolved via various administrative resolutions. For example, student loan debts can be resolved if they are deemed uncollectible because of disability, death, or incarceration.

defaulted loans each month. FSA randomly selected these loans from defaulted loans that it would have otherwise referred to its PCAs. These loans are generally representative of the composition of the defaulted loan portfolio. On average, each borrower in the pilot has three defaulted loans with a total outstanding balance of approximately $14,000. The total per borrower balance ranges from $500 to over $601,500[6] with a median balance of $7,680.

To facilitate a rough comparison, FSA created a comparably sized group of defaulted loans referred to its PCAs to serve as a control group. Borrowers in this group were selected at random during the same referral periods in which FSA referred loans to Fiscal for the pilot. Table C provides results on certain metrics for the pilot and the control group, but these results do not capture long-term borrower success or qualitative elements such as customer satisfaction.

Table B: Loan Characteristics of Pilot vs. Control Group

	Pilot	*Control Group*
Unique Borrowers	5,729	5,729
Individual Loans[7]	16,242	16,916
Total Loan Amount[7]	$80.1M	$82.9M
Average Borrower Amount	$13,970	$14,462
Median Borrower Amount	$7,680	$7,994
Range of Borrower Amount	$560 - $601,550	$562 - $631,746
Average Prior PCA Referrals	4	4

In the first year of the pilot, Fiscal sent more than 33,000 letters to borrowers and placed more than 21,000 calls in an attempt to initiate a dialogue regarding the borrower's debt. Borrowers answered Fiscal's calls less than 2 percent of the time. Fiscal also answered approximately 3,900 calls initiated by borrowers. By the end of the first year, Fiscal had spoken with approximately 33 percent of the borrowers within Fiscal's defaulted student loan portfolio (i.e., 1,874 unique borrowers). Fiscal received no complaints, either directly from borrowers or through Education, regarding its collection activities during the first year of the pilot.

During this period, the loans of 237 of the 5,729 borrowers serviced by Fiscal (4.14 percent) were resolved by Fiscal and returned to FSA,[8] compared with 313 of the 5,729 borrowers in the

[6] Defaulted debt balances in the upper part of this range are the result of: i) a higher original loan amount, typically resulting from a parent taking out PLUS loans for multiple children or a student pursuing post-graduate higher education in a specialized field (e.g., medicine, law, etc.) and/or ii) the accumulation of accrued interest and fees (i.e., administrative fees, collection costs, etc.) over an extended period of time while a loan was in default.

[7] Includes additional debts referred to Fiscal in order to keep borrowers' defaulted loans with a single servicer.

[8] Debts are resolved and returned to FSA if the outstanding balance is retired, the borrower rehabilitates or consolidates the loans, or an administrative resolution is completed. Of the loans in the pilot that were returned, 181 borrowers either had their balances fully repaid through the Treasury Offset Program (TOP) collections (108 borrowers) or the borrower consolidated their loans to resolve their default (73 borrowers). Of the remaining resolutions, 31 borrowers voluntarily paid in full or through compromises, eight completed the loan rehabilitation process, and 17 were returned to FSA after Fiscal provided documentation for administrative resolutions.

control group (5.46 percent).

Table C outlines the collection rate (defined as dollars collected divided by the balance of loans referred) and recovery rate (defined as dollars collected plus the value of loans rehabilitated or consolidated divided by the balance of loans referred) for the pilot group and the control group, thus far.

Table C: Collections and Recoveries (Dollars in thousands)[9]

	Pilot	*Control Group*
Collections:		
Rehabilitations (payments received against active rehabilitation agreements and completed agreements)	$18	$36
Administrative wage garnishment	$3	$197
Other voluntary payments (e.g., payment in full)	$160	$340
Collection rate	*0.23%*	*0.69%*
Additional Recoveries:		
Completed rehabilitation loan balances (at time loans returned to FSA)	$127	$2,247
Completed Rehabilitations	8 borrowers	126 borrowers
Recovery rate	*0.38%*	*3.40%*

Fiscal believes that the differences in collection and recovery rates in the first year of the pilot relative to the control group are driven by several factors including timing of the collections cycle, call frequency and related focus on the borrower experience, and different and additional methods that PCAs may be employing for collections. Fiscal has proceeded relatively slowly through the collections cycle in attempt to optimize borrower engagement and voluntary collection efforts. Fiscal postponed using AWG, which allows garnishment of a borrower's wages without a court order, for a majority of borrowers for the first 11 months of the pilot. The delay not only drove the differential in wage garnishment recoveries detailed in the table above, but likely also contributed to decreased activity generally. Since initiating AWG in January 2016, toward the tail end of the first year of the continuing pilot, there has been an increase in the number of borrowers contacting Fiscal to attempt to resolve their loans and end involuntary collections.

In addition, Fiscal called borrowers in the pilot no more than once per week. This level is likely less frequent than the standard practice of PCAs but permitted Fiscal's call center agents to focus on active borrower interactions and follow-up.

PCAs also utilize tools tailored to support student loan collections that Fiscal has not needed in its cross-servicing program and, given the cost and time required to develop such tools, were not deployed in the pilot. These tools include the use of different systems designed to manage the

[9] Data in Table C are based on data from Education's debt collection system.

nine-to-twelve month borrower relationship required to complete the rehabilitation program and customized digital capabilities such as self-service portals.

III. INITIAL PILOT OBSERVATIONS

During the first year of the pilot, Fiscal has observed a number of variables that impact the collection process for defaulted student loans relative to other federal debts. These include: (i) how to contact borrowers who have been in default for many years, (ii) how to explain to these borrowers the available repayment options, (iii) how to help borrowers through the rehabilitation process, (iv) how to transition borrowers to a sustainable repayment plan following the completion of rehabilitation, and (v) how to help borrowers avoid involuntary collection processes such as AWG and the Treasury Offset Program (TOP).

Contacting Borrowers

Fiscal's collections work is generally conducted by U.S. mail and through telephone calls and relies on these methods to initiate borrower contact. In the pilot, student loan borrowers have been difficult to engage using these tools.

In the federal student loan program, borrowers provide their contact information at the time of the loan application and, per the master promissory note and rights and responsibility statement, they are required to update the information throughout the life of their loan. However, Fiscal observed that contact information may not be updated and, as a result, can be outdated when these loans are referred for collection.

During the first year of the pilot, relatively few borrowers responded to Fiscal's outreach.[10] Fiscal spoke with 33 percent of borrowers by phone, with extremely low response rates to outbound calls. Borrowers cannot resolve their loans on their own, except through full repayment of outstanding principal and interest. Therefore, speaking with a call center agent is critical to identifying and enrolling in a repayment option.

Borrowers who spoke with Fiscal were often unaware of, or confused about, their repayment options, which likely contributes to a reluctance to engage with collectors and to the low contact and resolution rates. Many borrowers have appeared unaware that they could make affordable monthly payments based on their income through loan rehabilitation. Borrowers in default may be more willing to take action on their defaulted loan if they have clear information about the available options.

In conversations with Fiscal, borrowers have been confused as to why a third party, in this case Fiscal, is contacting them instead of Education regarding their student loans. Employing consistent Education branding on communications for defaulted borrowers, where possible,[11] could reduce confusion and increase confidence in the legitimacy of the collection activity.

---

[10] Prior to contacting borrowers, Fiscal attempted to update contact information with a commercially available database. Few borrowers made direct contact with Fiscal.

[11] The Fair Debt Collection Practices Act requires debt collectors identify themselves by corporate affiliation. Therefore, any deviation from this requirement would require an exception before implementation.

Currently, opportunities for confusion are elevated because, during the stages of delinquency, several different third-party contractors contact the borrower under their own brand names and borrowers may have previously had contact with different contractors such as loan servicers, FSA's defaulted loan servicer, and other PCAs.

Complexity of Available Repayment Options

The number and complexity of repayment options present borrowers with several alternatives from which to determine the optimal approach for their circumstances. Some repayment options appear similar yet confer different benefits to the borrower. For example, rehabilitation and consolidation both allow borrowers to return their loans to current status. Rehabilitation requires at least nine months of on-time payments and requires borrowers to submit paperwork and documentation of income and, in some cases, expenses.[12] By comparison, borrowers who have not previously consolidated their loans can do so without making any payments if they complete the required paperwork and enroll in an income-driven repayment (IDR) plan. Borrowers need to understand the subtle differences in these two options in order to assess what is best for them.

Borrowers' options also vary based on whether they have previously rehabilitated or consolidated their loans, requiring call center agents to understand the history of the defaulted loan before discussing repayment options. As specified in the Higher Education Act, borrowers are only allowed to rehabilitate their loans once, leaving borrowers who re-default with limited options. Re-defaulted loans can only be satisfied through payment in full, a compromise, installment payments, or a consolidation if the loan(s) had not previously been consolidated. It is critical, therefore, that borrowers who pursue rehabilitation understand that it can only be successfully completed once and, as such, may not be the most suitable option for borrowers who may not be able to continue to meet their monthly payment obligations once they return to current status.

This complexity of repayment options is reflected in materially longer call handling times relative to Fiscal's other defaulted debts. In February 2016, the average cross-servicing program call was 5 minutes and 28 seconds whereas the average pilot call was 9 minutes and 4 seconds. In addition, the post-call work time, during which call center agents update the borrower's file and send the borrower any required forms or information, was nearly 4.5 minutes longer for pilot borrowers.

Providing more borrower-centric resources and information may help defaulted borrowers understand and evaluate their options. FSA maintains a separate website for defaulted student loans, but this site is designed for a number of user types (e.g., schools, guaranty agencies, collection agencies), which may contribute to borrower confusion. A more borrower-centered experience might ease navigation and provide borrowers with the information they need. Some changes could include clear descriptions of the available repayment options and a calculator

[12] Borrowers who successfully rehabilitate their loans have the default status reported by FSA removed from their credit report and their remaining collection fees are waived.

similar to those available for non-defaulted borrowers to help them understand their options and estimate their monthly payment.[13]

In addition, defaulted student loan borrowers could benefit from a single portal for information to help determine how much they owe, the repayment options available, and who to contact to address their loan. The portal could include links that clarify which options are available, contact information for their current PCA, and simple online payment forms that allow a borrower to begin or modify a recurring payment. It could also be used to provide borrowers entering into a rehabilitation agreement with timely information regarding their payment obligations and access to forms that could be completed and signed electronically.

Navigating the Rehabilitation Process

Rehabilitation provides an affordable option for most borrowers with monthly payments based on discretionary income, but the first year of the pilot has demonstrated that the rehabilitation process can be difficult to complete. A number of steps are required for borrowers to rehabilitate their defaulted loans: (i) borrowers must submit documentation of their income[14] and Fiscal must verify income information before the monthly payment amount is confirmed and monthly statements are sent to the borrower; (ii) borrowers must make nine on-time payments within a 10-month period;[15] and (iii) borrowers must sign and return a rehabilitation agreement letter.

During the first year of the pilot, 604 borrowers expressed interest in rehabilitating their loans and verbally provided estimated income information; however, borrowers made slow progress toward completing these agreements with only 301 borrowers taking at least one of the additional required actions, such as submitting income documentation or making a payment. Of the 604 borrowers interested in rehabilitating their loans, more than half (374 borrowers) would have been permitted to make the lowest available monthly payment of $5 based on estimated income that the borrowers provided to Fiscal.[16] For borrowers who provided the required documentation to verify their income, the average verified monthly payment amount was just under $75. The average rehabilitation payment received from borrowers to date has been approximately $50.

---

[13] For example, FSA's website provides clear language about repayment plans offered to non-defaulted borrowers, including a "repayment calculator" and eligibility requirements for each repayment option, to allow borrowers to determine the optimal plan for their circumstances. A second repayment tool allows borrowers with current loans to answer five questions about their circumstances and learn more about potential repayment plans and the steps to enroll in those plans.

[14] The borrower must submit one of the following documents as proof of income: i) a copy of the borrower's most recent federal income tax return (1040) for either of the two previous tax years, ii) an official federal tax transcript (including transcripts provided by the IRS, as authorized by the borrower) for either of the two previous tax years, or iii) a signed Financial Information Statement form listing income and expenses.

[15] Payments must be received 20 days before or after the stated payment due date to be considered on-time.

[16] Many of these borrowers stated that they could not afford a standard rehabilitation payment of 15 percent of their estimated discretionary income and instead sought to pursue a Financial Information Statement (FIS) Rehabilitation that reduces their monthly payment based on documented living expenses such as food, housing, and transportation.

Table D: Borrower Rehabilitation Agreements[17]

Rehabilitation Activity Note: Categories below are not mutually exclusive	*Number of Borrowers*	*Median Balance (dollars in thousands)*
Borrower expressed interest in rehabilitation	604	$10
Verbally agreed to rehabilitation, no additional action taken	303	$9
Provided income documentation	117	$14
Made rehabilitation payments	279	$14
Provided signed rehab agreement letter	42	$17
Completed rehabilitation	8	$18

In November 2015, after noting the navigational challenge confronting borrowers, Fiscal established a single-point-of-contact team to work with borrowers and deliver more extensive and regular interaction. Borrowers who initiate the rehabilitation process are assigned to agents who are familiar with individual borrowers' accounts and status in the rehabilitation program and can provide consistent outreach to remind borrowers to provide any missing information. This team has helped to increase the rate at which borrowers are submitting rehabilitation documentation; Fiscal is monitoring the effect of the single-point-of-contact model as the pilot continues.

Simplifying the rehabilitation process by reducing the steps borrowers need to take could potentially ease the burden and increase rehabilitations. For example, there may be opportunities to streamline the process for borrowers to submit forms and provide the income information necessary for loan rehabilitation, such as allowing borrowers to complete and submit forms electronically. In addition, non-defaulted borrowers can use an IRS data retrieval tool to send their income information to their servicer when enrolling in an IDR plan.[18] However, this tool is not currently available for defaulted borrowers.

Fiscal has also found that many borrowers experience difficulties filling out the Financial Information Statement (FIS) form used for rehabilitations that are based on the borrower's income and monthly expenses. The form requires borrowers to provide monthly expenses for 20 categories and include documentation that borrowers are unlikely to have on hand, such as copies of health insurance premium statements. In addition, the form is used for borrowers who do not have income, are self-employed, are not tax filers, or whose income has changed significantly since filing their taxes. Borrowers without income pursuing a standard rehabilitation payment could benefit from a simplified form that allows documentation of lack of income without also providing extensive documentation of monthly living expenses.

[17] The data in Table D are sourced from Fiscal's debt management system.
[18] The IRS data retrieval tool allows borrowers to electronically request and authorize the transfer of their income information from their federal income tax return to meet the income documentation requirements of IDR plans.

Transitioning Borrowers to a Sustainable Repayment Plan Following the Completion of Rehabilitation

Borrowers face a number of challenges even if they have successfully rehabilitated their loans. Upon completion, FSA transfers the loan(s) from the PCA to a student loan servicer. This transfer usually occurs within a week, but can require up to 60 days if additional processing is required. During this transfer process, borrowers must continue to make monthly payments to the PCA. FSA does not provide rehabilitated borrowers information about which servicer will have their loan until the transfer has already occurred. This lack of clear information during the transition period can cause confusion about where payments should be sent and whom to contact with problems or other questions.[19]

Significantly, borrowers who have rehabilitated their loans have the option of enrolling in an IDR plan with their servicer. However, this option—which could be of considerable benefit to rehabilitated borrowers—requires the borrower to actively choose to enroll in an IDR plan and re-submit income documentation. After the loan is transferred to the servicer, the servicer bills the borrower for the same amount as the rehabilitation payment for up to 90 days in order to allow the borrower to make a repayment selection (and provide required supporting documentation). If the borrower does not successfully enroll in a repayment plan, the loan is automatically entered into a standard payment plan amortized over 10 years, which may result in a significantly higher required monthly payment relative to the payments the borrowers made during rehabilitation. This automated feature could lead to borrowers lapsing back into delinquency and default.

The complexity and confusion are compounded by the fact that the rehabilitation payment options available for defaulted borrowers differ from IDR plans available to borrowers who have rehabilitated their loans or who have never defaulted. The rehabilitation payment amount is based on 15 percent of discretionary income, which is greater than the monthly payment rates currently available to non-defaulted borrowers under Pay As You Earn (PAYE) (10 percent of discretionary income).[20] Defaulted borrowers may lower their monthly payment below 15 percent of discretionary income by entering into a Financial Income Statement rehabilitation (FIS rehabilitation), a rehabilitation in which documented monthly expenses are also taken into account in calculating the monthly payment. However, this option is unique to rehabilitations. In some circumstances a FIS rehabilitation may result in rehabilitation payment amounts less than the 10 percent of discretionary income available in PAYE,[21] and consequently the borrower would face a higher monthly payment after completing rehabilitation.

[19] To improve communications with rehabilitated borrowers, FSA's list of future enhancements includes functionality to generate a transfer notification to the borrower identifying the non-default servicer that will begin servicing their rehabilitated loan. In addition, FSA is currently considering how to streamline its non-default loan servicing model during the current effort to re-compete and consolidate its non-default loan servicing contracts.
[20] The federal student loan program includes several IDR plans, including PAYE, in which payments are equal to 10 percent of discretionary income, and Income-Based Repayment, in which payments are equal to 15 percent of discretionary income.
[21] This could be the case for a borrower with sufficiently high income and expenses completing a FIS Rehabilitation.

Accordingly, further aligning the monthly payment amounts available to defaulted borrowers with those available to non-defaulted borrowers may help to reduce borrower confusion and re-defaults for borrowers that rehabilitate.[22]

Helping Borrowers Avoid Involuntary Collection Processes such as Administrative Wage Garnishment and the Treasury Offset Program

Fiscal and FSA are required by law to use all available collection tools as appropriate, including AWG. In the cross-servicing program, Fiscal has access to wage and employment information and has found that initiating AWG can lead to higher contact rates.

Fiscal intentionally did not use AWG during the first 11 months of the pilot in order to attempt to engage borrowers and resolve their loans voluntarily. Toward the end of the first year of the pilot, Fiscal began sending garnishment notice letters to borrowers with whom it has been unable to establish a repayment agreement and for whom it has employment information. Fiscal sent notice letters to 1,985 borrowers through the end of February 2016. These letters explained the AWG process and how the borrower could avoid it.

During the pilot, FSA has also submitted borrowers' defaulted loans to TOP, as required by law. TOP centrally collects delinquent debts by withholding certain federal and state payments owed to the defaulted borrower, including tax refund payments.

While it is too early to determine whether these tools substantially increase collections, both collection tools— offsets through TOP and the issuance of AWG notice letters and garnishment orders— resulted in an increase in the daily volume of inbound calls as borrowers called to inquire about tax refunds offset through TOP, ways to avoid AWG, and their available repayment options. The average number of daily inbound calls increased from 13 calls per day during the first 11 months of the pilot to 37 calls per day during February 2016.

Of the 1,985 borrowers who were sent garnishment notices by February 2016, 443 individuals (22 percent) subsequently contacted Fiscal, and 218 individuals (11 percent) entered into a repayment agreement. However, many borrowers did not respond to the garnishment notice and have been or will be subject to wage garnishment. Data regarding the impact of AWG initiation and TOP offsets will continue to be evaluated throughout the remainder of the pilot.

IV. CONCLUSION

The pilot, while incomplete and still in progress, provides government agencies with first-hand experience and insights regarding how to communicate with people who have defaulted on their student loans and how to enhance the federal student loan finance system. In the second year of the pilot, Fiscal will continue working to find ways to increase borrower contact and effectively counsel borrowers on how to evaluate and implement the best options for resolving their defaulted student loans. Additionally, for borrowers in the pilot who already have enrolled in

[22] Altering the terms of repayment options available for defaulted loans may require changes to laws or regulations.

payment agreements, Fiscal will provide assistance as these borrowers complete the program requirements.

The pilot has already helped provide insight into many of the challenges in collecting defaulted student loans and will continue to allow Fiscal and FSA to gather more information about the process, gain further insights, and identify opportunities to better help borrowers and service student loans. Ongoing collaboration will allow the opportunity for Fiscal to share its findings with FSA and assess potential process improvements to determine whether they should be adopted in the collection of federal student loans. Further pilots that engage borrowers who have not yet defaulted also offer the promise of considering potential enhancements to the federal student loan finance system.

AG#	Private Collection Agency	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
600	Coast	7,718	10,618	46,776									
601	ICR	6,293	8,657	38,138	21,532	18,456	30,675						
602	NRI	6,638	9,133	40,232									
603	AFS												
605	Central Res												
606	Credit Adj Inc												
604	Bass & Associates												
607	FH Cann												
608	National Cred Ser												
609	PBCM												
610	Reliant Capital												
578	ACT	13,321	18,334	80,769	31,344	26,866	44,652	41,300	41,480	41,060	51,860	14,282	11,597
581	ConServe	8,620	11,867	52,276	20,613	17,668	29,365	41,300	41,480	41,060	51,860	14,282	11,597
585	FMS	8,915	12,272	54,064	22,031	18,883	31,384	41,300	41,480	41,060	51,860	14,282	11,597
586	GC Services	8,311	11,441	50,401	22,021	18,875	31,371	41,300	41,480	41,060	51,860	14,282	11,597
594	Windham	7,744	10,660	46,960	19,500	16,714	27,778	41,300	41,480	41,060	51,860	14,282	11,597
579	Allied	8,700	11,977	52,761	21,374	18,320	30,448						
591	CBE	7,005	9,643	42,479	19,794	16,966	28,198						
580	Collecto EOS-CCA	6,807	9,371	41,281	18,887	16,189	26,906						
596	Cti	6,889	9,477	41,751	28,112	24,096	40,047						
597	Delta	5,462	7,514	33,103	20,356	17,448	28,998						
583	ERS	8,764	12,065	53,146									
584	FAMS	1,517	2,091	9,213	6,902	5,916	9,832						
582	Performant (fka Dive	7,882	10,851	47,801	18,909	16,207	26,937						
588	Pioneer	8,340	11,368	50,079									
589	Premiere	7,803	10,742	47,322	21,115	18,098	30,079						
590	Progressive	6,926	9,534	41,999	18,892	16,193	26,913						
500	Treasury				3,000						3,000		
587	TSI (fka NCO)	7,192	9,901	43,618	18,193	15,594	25,917						
592	Van Ru	6,925	9,533	41,994	20,427	17,509	29,100						
593	West	7,229	9,953	43,840									
		165,001	227,002	1,000,003	353,002	299,998	498,600	206,500	207,400	205,300	262,300	71,410	57,985

AG#	Private Collection Agency	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Aug 2016 (1)	Aug 2016 (2)	Sep-16	Oct-16	Nov-16	Dec-16
600	Coast	15,000	30,000	35,000	29,400	29,200	24,000	35,000	40,000	20,000	20,000	20,000	20,000	20,000	20,000
601	ICR	15,000	30,000	35,000	25,400	24,500	20,000	30,000	40,000	20,000	20,000	20,000	20,000	20,000	20,000
602	NRI	15,000	20,000	30,000	29,400	29,200	24,000	35,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
603	AFS	10,001	15,000	20,000	17,400	16,800	16,000	20,000	12,500	10,000	10,000	10,000	10,000	10,000	10,000
605	Central Res	15,000	15,000	5,000	9,400	9,000	12,000	15,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
606	Credit Adj Inc	15,000	25,000	20,000	17,400	16,800	16,000	20,000	35,000	10,000	10,000	10,000	10,000	10,000	10,000
604	Bass & Associates									5,000	5,000	10,000	10,000	10,000	10,000
607	FH Cann									5,000	5,000	10,000	10,000	10,000	10,000
608	National Cred Ser									5,000	5,000	10,000	10,000	10,000	10,000
609	PBCM									5,000	5,000	10,000	10,000	10,000	10,000
610	Reliant Capital									5,000	5,000	10,000	10,000	10,000	10,000
578	ACT	8,704	33,000	19,311	11,351	5,497	15,600	24,800	78,500	34,500	34,500	42,000	42,000	42,000	11,390
581	ConServe	8,704	33,000	19,311	11,351	5,497	15,600	24,800	78,500	34,500	34,500	42,000	42,000	42,000	11,390
585	FMS	8,704	33,000	19,311	11,351	5,497	15,600	24,800	78,500	34,500	34,500	42,000	42,000	42,000	11,390
586	GC Services	8,704	33,000	19,311	11,351	5,497	15,600	24,800	78,500	34,500	34,500	42,000	42,000	42,000	11,390
594	Windham	8,704	33,000	19,311	11,351	5,497	15,600	24,800	78,500	34,500	34,500	42,000	42,000	42,000	11,390
579	Allied														
591	CBE														
580	Collecto EOS-CCA														
596	Cti														
597	Delta														
583	ERS														
584	FAMS														
582	Performant (fka Dive														
588	Pioneer														
589	Premiere														
590	Progressive														
500	Treasury														
587	TSI (fka NCO)														
592	Van Ru														
593	West														
		128,521	300,000	241,555	185,155	152,985	190,000	279,000	550,000	287,500	287,500	350,000	350,000	350,000	196,950

AG#	Private Collection Agency	Jan-17	Feb-17	Mar-17	*Dec -17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Totals
600	Coast	10,267	24,500	17,431	100,000	28,960	9,884	16,128	10,389	8,509	648,780
601	ICR	10,267	24,500	17,431	100,000	17,376	12,850	-	-	8,509	654,584
602	NRI	10,267	24,500	17,431	100,000	28,960	12,850	21,546	13,852	14,182	622,191
603	AFS	10,267	14,500	9,683	20,000	10,136	4,353	6,426	5,541	5,673	274,280
605	Central Res	10,267	14,500	9,683	35,000	20,272	9,677	5,418	3,463	3,546	262,226
606	Credit Adj Inc	10,267	10,000	6,778	50,000	28,960	12,850	21,546	17,315	17,733	400,649
604	Bass & Associates	10,267	10,000	6,778	15,000	5,792	4,353	8,568	6,926	7,091	124,775
607	FH Cann	10,267	14,500	9,683	50,000	28,960	12,850	21,546	13,852	14,182	225,840
608	National Cred Ser	10,267	14,500	9,683	33,000	23,168	5,930	8,568	6,233	11,346	172,695
609	PBCM	10,267	10,415	6,778	50,000	7,240	3,366	5,418	4,156	4,255	151,895
610	Reliant Capital	10,267	14,500	9,683	50,000	21,720	9,884	10,710	6,926	7,091	190,781
578	ACT										820,018
581	ConServe										745,141
585	FMS										752,281
586	GC Services										747,152
594	Windham										734,088
579	Allied										143,580
591	CBE										124,085
580	Collecto EOS-CCA										119,441
596	Cti										150,372
597	Delta										112,881
583	ERS				162083	0	0	25175	0	0	261,233
584	FAMS										35,471
582	Performant (fka Dive										128,587
588	Pioneer				162083	0	0	25175	0	0	257,045
589	Premiere										135,159
590	Progressive										120,457
500	Treasury										6,000
587	TSI (fka NCO)										120,415
592	Van Ru										125,488
593	West										61,022
		112,937	176,415	121,042	927,166	221,544	98,847	176,224	88,653	102,117	9,428,612

From:	LaVia, Mark
To:	Aldridge, Murthlyn
Cc:	Leith, William; Curran, Frank D.; Bumgarner, Bradley; Bradfield, Patrick
Subject:	RE: RE: Default Management Approach
Date:	Thursday, May 03, 2018 12:41:32 PM
Attachments:	FSA_Strategy_Document.pdf BackupDocs.zip

Murthlyn.

Sorry let's try this again – this time with the back-up information.

Mark

From: LaVia, Mark
Sent: Thursday, May 03, 2018 12:38 PM
To: Aldridge, Murthlyn
Cc: Leith, William; Curran, Frank D.; Bumgarner, Bradley; Bradfield, Patrick
Subject: RE: Default Management Approach

Good afternoon Murthlyn –

Please find attached our new approach to Default Management.

Thank you.

Mark

Mark LaVia
U.S. Department of Education
Federal Student Aid
Business Operations
Executive Director, Servicing
Work – 202-377-3588
Mobile – 202-805-4376

Planned Changes to FSA's Borrower Default Management Practices

Impact on FSA's Need for Debt Collection Services

Recently, new FSA leadership announced a new vision of Federal Student Aid student loan processing and servicing. FSA started to examine existing processes, practices, and approaches to determine areas for improvement and new ways of managing student loan servicing.

This document reflects the result of FSA's evaluation of its current practices to manage student loan delinquencies, with the goal of delivering better services to borrowers while also identifying ways to reduce defaults, minimize risks, improve the safeguarding of borrower's data, and satisfying the Debt Collection Improvement Act (DCIA) of 1996.

As explained below, the implementation of this plan will lead to significant reductions in the volume of accounts held in FSA's Debt Management and Collections System (DMCS) and consequently in the need for debt collection services as presently procured.

Current Practice

FSA currently manages the Federally-held student aid portfolio based upon the borrowers' delinquency status, with accounts delinquent less than 360 days being serviced by 10 "non-defaulted servicers" (including TIVAS, NFPs and Perkins) while loans that have gone greater than 360 days delinquent are assigned to the DMCS. Loans held in DMCS are then periodically assigned to one of the Private Collection Agencies (PCAs) with active contracts who perform collection and other default resolution activities.

The non-defaulted servicers provide all servicing activity from the date of loan origination to the date a borrower account becomes greater than 360 days delinquent. During this time period, these servicers provide counseling to borrowers both while in school and after entering repayment. Further, these servicers participate in collection activities, skip tracing, processing of deferment, forbearance, and discharge requests. Non-defaulted servicers are paid based on the status of each account and receive higher rates for borrower accounts that are current than those that are delinquent or in a non-paying status.

Once a borrower account reaches 361 days delinquent the loan is assigned (transferred) into the defaulted portfolio (DMCS) and serviced by defaulted service-providers. No involuntary payment actions, such as the Treasury Offset Program (TOP) are taken on borrower accounts while being serviced by non-defaulted servicers.

The current federally-held portfolio consists of approximately 39.2 million borrowers, 32 million of those borrowers are serviced by non-defaulted servicers[1] and the remaining 7.2 million are serviced within the DMCS defaulted portfolio.[2] Of those 7.2 million borrowers in DMCS, most of

[1] 03_ALL_Performance Tracking Summary - 0318.xlsx (cell C17)
[2] 02_DMCS Inventory Report All Workgroups April 2018.xlsx (cells F115 + G115)

them are currently placed with one of the PCAs. The PCAs attempt to contact the borrower and work to resolve the debt by payment, rehabilitation, consolidation and/or an involuntary payment programs such as Administrative Wage Garnishment (AWG). These borrowers do not have access to deferments or forbearances as they would if they were with a non-default servicer. Once a loan is rehabilitated it is transferred out of DMCS to one of the non-default servicers.

Currently about 5.8 million[3] of the defaulted portfolio are being serviced by 18 PCAs (11 Small Businesses and 7 Award Term Extension ATEs) with 2.5 million[4] of those borrowers being serviced by 5 of the 7 ATE PCAs whose contracts expire in April 2019. On average the number of borrower accounts eligible for PCA placement is 120,000 per month[5].

Planned Changes to Current Practice

In an effort to reduce the volume of borrowers that default, improve assistance to delinquent borrowers, and lower overall delinquency levels FSA plans to modify significantly its current practices. Specifically, FSA plans to implement an enhanced servicing concept that will focus on the resolution of delinquency and providing collection activities for borrower accounts once they have reached 90 days of delinquency. The plan is to expand upon the current processes used to support borrower accounts > 90 days delinquent and provide higher levels of enhanced servicing to this cohort using the most current and efficient resolution techniques available. Borrowers will remain with the servicer until the debt is repaid instead of being assigned to the default servicer as is done currently. All proposed changes to current collection practices will be reviewed to ensure legal compliance with the HEA, Department and Treasury regulations, and other applicable regulations before they are implemented.

Once implemented, the vendor(s) executing this process must demonstrate to FSA's satisfaction they possess a full and complete understanding of all programmatic, regulatory, and statutory aspects of servicing loans in repayment including all entitlements (like deferments, forbearances, repayment plans, discharge/forgiveness, etc.) as well as all methods of collection and default resolutions (including typical collections outreach done to borrowers prior to involuntary collections as well as post default collections, AWG, and TOP). The vendor(s) will have staff trained and dedicated to managing accounts that are 90 days delinquent and they will be focused on providing a higher level of service for borrowers in financial distress.

This enhanced servicing concept would focus on assisting the borrower with getting into a repayment plan they can afford such as Income Driven Repayment (IDR) plans and/or extended term plans. This plan will provide additional communications to borrowers on how they can avoid delinquency, default, and what programs may be available to borrowers (i.e. PSLF, Closed School, Disability, etc.). There will be an increased focus on outreach to borrowers and enhanced levels of skip tracing to locate borrower contact information to allow for communications. Many of borrowers assigned to the defaulted portfolio today do not have valid

[3] 01_DMCS Inventory Report PCA Workgroups April 2018.xlsx (cell H21)
[4] 01_DMCS Inventory Report PCA Workgroups April 2018.xlsx (cells H2 + H4 + H6 + H7 + H11)
[5] 04_Allocations March 2018.xlsx (cell o2 – sample of total for March 2018)

contact information and therefore may not be receiving communications to effectively manage their debt.

Benefits of the Plan

Implementing enhanced servicing for accounts beginning at 90-days of delinquency and having the servicer continue to service delinquent accounts through the life of the debt will generate significant benefits for the federal government and for borrowers.

Reduction in volume of defaulted borrowers: Implementing enhanced servicing practices dedicated to resolve delinquency (>90 days to 270 days) prior to, and after, reaching default (>270 days) will help to reduce the number of borrowers who default on their debts. Implementing enhanced servicing with an emphasis on borrowers 90 or more days delinquent will focus on applying and updating best practices to achieve reductions in borrower defaults and improve the ability of borrowers to repay their debts. Also, the vendor(s) will be able to utilize collection tools sooner into a borrower's delinquency period, thereby increasing the likelihood of initiating borrower contact and resolving the debt sooner. This was a finding from a Treasury Fiscal Service – Education Federal Student Aid pilot study for servicing defaulted student loan debt.[6]

Improved Customer Service: Using additional improved practices specifically dedicated to resolve delinquency prior to reaching default will provide improvements in customer service to borrowers less than 90 days delinquent and provide a higher level of service to those borrowers in financial distress. Reports have identified certain borrower needs such as IDR plans, recertification of income, and eligibility/requirements for forgiveness as areas for improvement at FSA.

Compliance with DCIA: This new process for managing delinquent and defaulted borrowers will help FSA become compliant with the DCIA by referring delinquent ED-held debt to the U.S. Department of Treasury for their TOP at 270 days of delinquency. Becoming compliant will resolve IG audit findings and eliminate the need for the Secretary to self-report this non-compliance to Congress and the public every year in the Department's Agency Financial Report.

Decreased security risks: By reducing the need to assign borrower accounts to the default servicers it will reduce the number of servicers with access to the student loan portfolio, and therefore decrease the amount of borrower data being moved among multiple vendors reducing the risk of data breaches and other system vulnerabilities. The need to consistently provide improved security is always a high priority with FSA and ED.

Decreased Costs: Reductions in the volume of delinquent accounts will provide reduced costs for servicing these accounts. As of December 2017, there was $125.3 billion in ED-held

---

[6] https://www.treasury.gov/connect/blog/Pages/An-Update-on-the-Fiscal-Federal-Student-Aid-Pilot-for-Servicing-Defaulted-Student-Loan-Debt.aspx

defaulted debt, a 19% growth of $20.2 billion since December 2016.[7] Only a 4% reduction in the current amount of defaulted debt, or an avoidance of 4% out the 19% growth, would save the Federal government a billion dollars in estimated program costs.

Impacts of the Plan on existing default servicers

These vendors would continue to service the current default portfolio ($125.3 billion as of December 2017), however, that portfolio would begin to decrease as soon as the enhanced servicing practices are put in place. A significantly reduced volume of borrowers would be added to the defaulted portfolio (instead the borrowers would be serviced by the vendor(s) providing enhanced servicing practices). Once the enhanced servicing practices are in place, a plan would be put in place to transfer the existing volume of the default portfolio to be serviced by that vendor(s). The default servicers would eventually no longer be needed.

The existing PCAs have the capacity to manage the existing default portfolio[8] and would continue to provide support for those borrowers throughout the transition to the new strategy.

---

[7] https://studentaid.ed.gov/sa/about/data-center/student/portfolio
[8] 05_AccountCapacityasof 0328018.xlsx

Workgroup	Workgroup Value	Portfolio Size in Dollars	Portfolio Size in Borrowers < $0	Portfolio Size in Borrowers $0	Portfolio Size in Borr	Portfolio Size in Borrowers >= $25	Total Portfolio Size in Borrowers
Account Control Technology, Inc.	PCA0001A	$9,373,746,362	74	29	360	534,851	535,314
Coast Professional, Inc.	PCA0003A	$9,538,672,454	74	36	228	483,906	484,244
ConServe	PCA0007A	$8,863,493,758	67	53	336	490,002	490,458
ERS	PCA0010A	$3,973,485,533	21	12	28	178,939	179,000
FMS Investment Corp	PCA0012A	$9,170,738,235	76	23	346	511,891	512,336
GC Services LP	PCA0013A	$8,648,197,357	58	25	314	490,516	490,913
Immediate Credit Recovery, Inc.	PCA0014A	$10,664,734,556	91	36	266	562,928	563,321
National Recoveries, Inc.	PCA0015A	$9,426,363,342	77	31	226	473,154	473,488
Pioneer Credit Recovery, Inc	PCA0017A	$3,922,285,178	27	14	33	176,393	176,467
Windham Professionals, Inc.	PCA0023A	$7,101,055,353	72	17	272	489,866	490,227
Action Financial Services	PCA0025A	$4,235,639,518	41	26	116	217,256	217,439
Bass & Associates	PCA0026A	$1,956,106,296	18	9	43	98,713	98,783
Central Research	PCA0027A	$4,352,442,522	38	17	80	214,216	214,351
Credit Adjustments	PCA0028A	$6,289,393,943	47	37	142	311,815	312,041
FH CANN & Associates	PCA0029A	$3,657,820,889	31	17	67	177,886	178,001
National Credit Services	PCA0030A	$2,734,772,511	26	12	61	135,605	135,704
Professional Bureau of Collections of Maryland	PCA0031A	$2,608,296,883	14	11	42	127,706	127,773
Reliant Capital Solutions	PCA0032A	$3,208,751,465	39	12	54	156,556	156,661
	Totals	***$109,725,996,157***	***891***	***417***	***3,014***	***5,832,199***	***5,836,521***

AR 18

Workgroup	Workgroup Value	Portfolio Size in Dollars	Portfolio Size in Borrowers < $0	Portfolio Size in Borrowers $0	Portfolio Size in Borrowers $.01 to $24.99	Portfolio Size in Borrowers >= $25	Total Portfolio Size in Borrowers
Default workgroup	DfltWkgp	$21,222,947,932	123,833	3,428,172	90,340	1,284,515	4,926,860
Department of Justice Alaska, USA	DOJAK04A	$1,189,032	0	3	0	15	18
Department of Justice Alabama, USA	DOJAL01A	$766,850	0	0	0	8	8
Department of Justice Alabama, USA	DOJAL02A	$1,182,744	0	1	0	11	12
Department of Justice Alabama, USA	DOJAL03A	$1,020,733	0	1	0	21	22
Department of Justice Arkansas, USA	DOJAR06A	$1,898,861	0	2	0	26	28
Department of Justice Arkansas, USA	DOJAR07A	$448,610	0	0	0	7	7
Department of Justice Arizona, USA	DOJAZ05A	$4,370,621	0	14	0	58	72
Department of Justice California, USA	DOJCA08A	$162,782,902	26	550	1	10,399	10,976
Department of Justice California, USA	DOJCA09A	$4,661,638	1	0	0	68	69
Department of Justice California, USA	DOJCA10A	$33,439,356	5	255	0	1,936	2,196
Department of Justice California, USA	DOJCA11A	$4,816,600	0	7	0	97	104
Department of Justice Colorado, USA	DOJCO12A	$372,736	0	0	0	8	8
Department of Justice Connecticut, USA	DOJCT13A	$2,294,267	0	1	0	25	26
Department of Justice District of Columbia, USA	DOJDC15A	$11,903,039	2	57	0	886	945
Department of Justice Delaware, USA	DOJDE14A	$356,628	0	0	0	4	4
Department of Justice Florida, USA	DOJFL16A	$65,203,253	1	61	0	2,574	2,636
Department of Justice Florida, USA	DOJFL17A	$2,948,916	0	7	0	75	82
Department of Justice Florida, USA	DOJFL18A	$67,730,199	0	152	0	3,468	3,620
Department of Justice Georgia, USA	DOJGA19A	$415,011	0	0	0	6	6
Department of Justice Georgia, USA	DOJGA20A	$11,190,891	0	5	0	145	150
Department of Justice Georgia, USA	DOJGA21A	$949,809	0	0	0	10	10
Department of Justice Guam & Northern Mariana Islands, USA	DOJGU22A	$10,590	0	0	0	1	1
Department of Justice Hawaii, USA	DOJHI23A	$1,184,408	0	1	0	19	20
Department of Justice Iowa, USA	DOJIA30A	$558,433	0	10	0	10	20
Department of Justice Iowa, USA	DOJIA31A	$1,808,054	0	8	0	19	27
Department of Justice Idaho, USA	DOJID24A	$2,005,255	0	0	0	19	19
Department of Justice Illinois, USA	DOJIL25A	$2,391,909	0	1	0	20	21
Department of Justice Illinois, USA	DOJIL26A	$25,423,003	0	74	1	997	1,072
Department of Justice Illinois, USA	DOJIL27A	$1,367,780	0	1	0	8	9
Department of Justice Indiana, USA	DOJIN28A	$1,221,385	0	1	0	17	18

Workgroup	Workgroup Value	Portfolio Size in Dollars	Portfolio Size in Borrowers < $0	Portfolio Size in Borrowers $0	Portfolio Size in Borrowers $.01 to $24.99	Portfolio Size in Borrowers >= $25	Total Portfolio Size in Borrowers
Department of Justice Indiana, USA	DOJIN29A	$4,267,527	0	3	0	65	68
Department of Justice Kansas, USA	DOJKS32A	$1,725,098	0	7	0	17	24
Department of Justice Kentucky, USA	DOJKY33A	$823,939	0	5	0	14	19
Department of Justice Kentucky, USA	DOJKY34A	$2,246,834	0	2	0	52	54
Department of Justice Louisiana, USA	DOJLA35A	$3,798,658	0	3	0	79	82
Department of Justice Louisiana, USA	DOJLA36A	$1,461,139	0	1	0	14	15
Department of Justice Louisiana, USA	DOJLA37A	$3,405,284	1	2	0	32	35
Department of Justice Massachusetts, USA	DOJMA40A	$5,428,223	0	2	0	70	72
Department of Justice Maryland, USA	DOJMD39A	$2,302,376	1	4	0	50	55
Department of Justice Maine, USA	DOJME38A	$937,126	0	3	0	15	18
Department of Justice Michigan, USA	DOJMI41A	$62,339,360	14	279	0	5,061	5,354
Department of Justice Michigan, USA	DOJMI42A	$1,990,597	0	0	0	32	32
Department of Justice Minnesota, USA	DOJMN43A	$3,416,172	0	36	0	53	89
Department of Justice Missouri, USA	DOJMO46A	$3,977,242	1	18	0	41	60
Department of Justice Missouri, USA	DOJMO47A	$815,464	0	12	0	19	31
Department of Justice Mississippi, USA	DOJMS44A	$1,498,486	0	1	1	20	22
Department of Justice Mississippi, USA	DOJMS45A	$1,267,729	0	3	0	21	24
Department of Justice Montana, USA	DOJMT48A	$551,667	0	3	0	13	16
Department of Justice North Carolina, USA	DOJNC58A	$2,627,014	0	4	0	34	38
Department of Justice North Carolina, USA	DOJNC59A	$1,867,471	0	2	0	20	22
Department of Justice North Carolina, USA	DOJNC60A	$1,993,682	0	0	0	25	25
Department of Justice North Dakota, USA	DOJND61A	$332,003	0	1	0	5	6
Department of Justice Nebraska, USA	DOJNE49A	$867,468	0	5	0	16	21
Department of Justice New Hampshire, USA	DOJNH51A	$186,711	0	0	0	10	10
Department of Justice New Jersey, USA	DOJNJ52A	$13,230,809	0	10	0	438	448
Department of Justice New Mexico, USA	DOJNM53A	$567,664	0	8	0	17	25
Department of Justice Nevada, USA	DOJNV50A	$892,508	0	3	0	25	28
Department of Justice New York, USA	DOJNY54A	$51,670,747	10	308	1	3,796	4,115
Department of Justice New York, USA	DOJNY55A	$5,699,046	0	7	0	241	248
Department of Justice New York, USA	DOJNY56A	$8,350,193	0	8	0	118	126
Department of Justice New York, USA	DOJNY57A	$3,196,484	0	2	0	67	69
Department of Justice Ohio, USA	DOJOH62A	$4,642,506	0	11	0	79	90

Workgroup	Workgroup Value	Portfolio Size in Dollars	Portfolio Size in Borrowers < $0	Portfolio Size in Borrowers $0	Portfolio Size in Borrowers $.01 to $24.99	Portfolio Size in Borrowers >= $25	Total Portfolio Size in Borrowers
Department of Justice Ohio, USA	DOJOH63A	$5,552,501	0	10	0	141	151
Department of Justice Oklahoma, USA	DOJOK64A	$435,522	0	0	0	7	7
Department of Justice Oklahoma, USA	DOJOK65A	$942,088	0	1	0	10	11
Department of Justice Oklahoma, USA	DOJOK66A	$3,210,283	0	3	0	26	29
Department of Justice Oregon, USA	DOJOR67A	$1,382,861	0	2	0	17	19
Department of Justice Pennsylvania, USA	DOJPA68A	$9,483,933	0	23	0	373	396
Department of Justice Pennsylvania, USA	DOJPA69A	$2,452,573	0	1	0	26	27
Department of Justice Pennsylvania, USA	DOJPA70A	$4,659,468	1	9	0	145	155
Department of Justice Puerto Rico, USA	DOJPR71A	$1,056,351	0	11	0	16	27
Department of Justice Rhode Island, USA	DOJRI72A	$1,070,674	0	3	0	19	22
Department of Justice South Carolina, USA	DOJSC73A	$10,578,454	0	2	0	241	243
Department of Justice South Dakota, USA	DOJSD74A	$508,643	0	0	0	4	4
Department of Justice Tennessee, USA	DOJTN75A	$1,066,660	0	1	0	22	23
Department of Justice Tennessee, USA	DOJTN76A	$1,544,015	0	3	0	32	35
Department of Justice Tennessee, USA	DOJTN77A	$2,041,703	0	3	0	36	39
Department of Justice Texas, USA	DOJTX78A	$685,961	0	1	0	21	22
Department of Justice Texas, USA	DOJTX79A	$13,300,701	0	14	0	338	352
Department of Justice Texas, USA	DOJTX80A	$48,168,465	8	216	2	3,242	3,468
Department of Justice Texas, USA	DOJTX81A	$12,253,108	1	54	0	141	196
Department of Justice Utah, USA	DOJUT82A	$895,857	0	4	0	17	21
Department of Justice, Virginia USA	DOJVA85A	$1,544,507	0	1	0	17	18
Department of Justice Virginia, USA	DOJVA86A	$362,384	0	0	0	5	5
Department of Justice Vermont, USA	DOJVT83A	$146,277	0	1	0	4	5
Department of Justice Washington, USA	DOJWA87A	$1,119,700	1	3	0	14	18
Department of Justice Washington, USA	DOJWA88A	$1,391,264	0	4	0	21	25
Department of Justice Wisconsin, USA	DOJWI91A	$1,351,388	1	1	0	14	16
Department of Justice Wisconsin, USA	DOJWI92A	$1,152,055	0	3	0	13	16
Department of Justice West Virginia, USA	DOJWV89A	$677,326	0	1	0	6	7
Department of Justice West Virginia, USA	DOJWV90A	$790,156	0	0	0	8	8
Department of Justice Wyoming, USA	DOJWY93A	$439,708	0	0	0	10	10
Federal Student Aid	FSAA	$106,772	0	50	0	8	58
Account Control Technology, Inc.	PCA0001A	$9,373,746,362	74	29	360	534,851	535,314

Workgroup	Workgroup Value	Portfolio Size in Dollars	Portfolio Size in Borrowers < $0	Portfolio Size in Borrowers $0	Portfolio Size in Borrowers $.01 to $24.99	Portfolio Size in Borrowers >= $25	Total Portfolio Size in Borrowers
Coast Professional, Inc.	PCA0003A	$9,538,672,454	74	36	228	483,906	484,244
ConServe	PCA0007A	$8,863,493,758	67	53	336	490,002	490,458
ERS	PCA0010A	$3,973,485,533	21	12	28	178,939	179,000
FMS Investment Corp	PCA0012A	$9,170,738,235	76	23	346	511,891	512,336
GC Services LP	PCA0013A	$8,648,197,357	58	25	314	490,516	490,913
Immediate Credit Recovery, Inc.	PCA0014A	$10,664,734,556	91	36	266	562,928	563,321
National Recoveries, Inc.	PCA0015A	$9,426,363,342	77	31	226	473,154	473,488
Pioneer Credit Recovery, Inc	PCA0017A	$3,922,285,178	27	14	33	176,393	176,467
Windham Professionals, Inc.	PCA0023A	$7,101,055,353	72	17	272	489,866	490,227
Action Financial Services	PCA0025A	$4,235,639,518	41	26	116	217,256	217,439
Bass & Associates	PCA0026A	$1,956,106,296	18	9	43	98,713	98,783
Central Research	PCA0027A	$4,352,442,522	38	17	80	214,216	214,351
Credit Adjustments	PCA0028A	$6,289,393,943	47	37	142	311,815	312,041
FH CANN & Associates	PCA0029A	$3,657,820,889	31	17	67	177,886	178,001
National Credit Services	PCA0030A	$2,734,772,511	26	12	61	135,605	135,704
Professional Bureau of Collections of Maryland	PCA0031A	$2,608,296,883	14	11	42	127,706	127,773
Reliant Capital Solutions	PCA0032A	$3,208,751,465	39	12	54	156,556	156,661
	Totals	***$131,693,606,187***	***124,798***	***3,430,979***	***93,360***	***7,153,224***	***10,802,361***

AR 22

TIVAS/NFP Portfolio - March month end 2018

Performance Category	Category	**TOTAL**	%	Great Lakes		Fed Loan		Navient		NELNET		MOHELA	
0001	Borrowers in In-School Status	**7,243,537**	**22.67%**	1,631,358	21.88%	1,059,813	14.33%	992,814	16.46%	1,245,249	21.50%	659,051	32.69%
0002	Borrowers in Grace Status	**1,100,969**	**3.45%**	216,725	2.91%	155,140	2.10%	159,813	2.65%	203,985	3.52%	103,726	5.15%
0003	Borrowers in Repayment (0-5 days delq)	**14,233,025**	**44.54%**	3,463,342	46.46%	3,650,886	49.37%	2,816,946	46.71%	2,683,116	46.32%	882,500	43.78%
0004	Borrowers as Service Members	**152,594**	**0.48%**	39,493	0.53%	38,359	0.52%	30,217	0.50%	30,270	0.52%	6,000	0.30%
0005	Borrowers in Deferment	**1,796,036**	**5.62%**	408,030	5.47%	367,672	4.97%	325,500	5.40%	338,928	5.85%	111,202	5.52%
0006	Borrowers in Forbearance	**3,903,247**	**12.21%**	955,204	12.81%	1,083,729	14.66%	966,531	16.03%	645,405	11.14%	111,437	5.53%
0007	Borrowers 6-30 Days Delinquent	**996,795**	**3.12%**	233,810	3.14%	321,296	4.34%	166,607	2.76%	180,045	3.11%	35,973	1.78%
0008	Borrowers 31-90 Days Delinquent	**950,928**	**2.98%**	169,440	2.27%	253,835	3.43%	226,946	3.76%	188,937	3.26%	45,094	2.24%
0009	Borrowers 91-150 Days Delinquent	**612,814**	**1.92%**	131,788	1.77%	159,924	2.16%	154,617	2.56%	98,723	1.70%	27,520	1.37%
0010	Borrowers 151-270 Days Delinquent	**623,408**	**1.95%**	136,849	1.84%	177,662	2.40%	129,108	2.14%	118,742	2.05%	23,160	1.15%
0011	Borrowers 271 - 360 Days Delinquent	**301,709**	**0.94%**	64,380	0.86%	107,443	1.45%	51,852	0.86%	53,912	0.93%	8,997	0.45%
0012	Borrowers 361 or more Days Delinquent	**40,293**	**0.13%**	3,812	0.05%	18,895	0.26%	9,940	0.16%	5,077	0.09%	1,219	0.06%
	TOTAL Borrowers	**31,955,355**		7,454,231		7,394,654		6,030,891		5,792,389		**2,015,879**	

AR 23

TIVAS/NFP Portfolio - March month en

Performance Category	Category	HESC/ ESA		CS		GSMR		OSLA	
0001	Borrowers in In-School Status	558,695	42.74%	432,251	58.32%	369,860	53.20%	294,446	56.21%
0002	Borrowers in Grace Status	89,028	6.81%	58,068	7.83%	64,713	9.31%	49,771	9.50%
0003	Borrowers in Repayment (0-5 days delq)	420,931	32.20%	112,433	15.17%	126,386	18.18%	76,485	14.60%
0004	Borrowers as Service Members	3,456	0.26%	1,808	0.24%	1,702	0.24%	1,289	0.25%
0005	Borrowers in Deferment	78,327	5.99%	74,960	10.11%	49,125	7.07%	42,292	8.07%
0006	Borrowers in Forbearance	80,531	6.16%	12,701	1.71%	24,554	3.53%	23,155	4.42%
0007	Borrowers 6-30 Days Delinquent	20,618	1.58%	15,168	2.05%	14,641	2.11%	8,637	1.65%
0008	Borrowers 31-90 Days Delinquent	24,020	1.84%	11,312	1.53%	20,066	2.89%	11,278	2.15%
0009	Borrowers 91-150 Days Delinquent	12,981	0.99%	10,557	1.42%	10,112	1.45%	6,592	1.26%
0010	Borrowers 151-270 Days Delinquent	12,579	0.96%	8,547	1.15%	10,093	1.45%	6,668	1.27%
0011	Borrowers 271 - 360 Days Delinquent	5,649	0.43%	3,159	0.43%	3,674	0.53%	2,643	0.50%
0012	Borrowers 361 or more Days Delinquent	372	0.03%	194	0.03%	242	0.03%	542	0.10%
	TOTAL Borrowers	**1,307,187**		**741,158**		695,168		**523,798**	

	Action Financial	Bass & Associates	Central Research	Credit Adjustiment	FH Cann & Associates	Professional Bureau of Collections of MD	Reliant Capital Solutions	Immediate Credit Recovery	National Credit Services	National Recoveries	Coast Professional	Alltran Education Inc.	Pioneer Credit	Total
March	6426	8568	5418	21546	21546	5418	10710	0	8568	21546	16128	25175	25175	176224

	Action Financial	Bass & Associates	Central Research	Credit Adjustment	FH Cann & Associates	Professional Bureau of Collections of MD	Reliant Capital Solutions	Immediate Credit Recovery	National Credit Services	National Recoveries	Coast Professional	Alltran Education Inc.	Pioneer Credit	Totals per month
January 18	35,000	20,000	70,000	100,000	100,000	25,000	75,000	60,000	80,000	100,000	100,000	20,000	100,000	885,000
February 18	30,000	30,000	70,000	100,000	100,000	25,000	75,000	100,000	40,000	100,000	75,000	25,000	100,000	840,000
March 18	30,000	40,000	25,000	100,000	100,000	25,000	50,000	-	40,000	100,000	75,000	40,000	125,000	720,000
April 18	40,000	50,000	25,000	125,000	100,000	30,000	50,000	-	45,000	100,000	75,000	50,000	150,000	800,000
May 18	40,000	50,000	25,000	125,000	100,000	30,000	50,000	100,000	50,000	100,000	60,000	60,000	150,000	900,000
June 18	40,000	50,000	25,000	125,000	100,000	30,000	50,000	100,000	50,000	100,000	60,000	60,000	150,000	900,000
July 18	45,000	50,000	30,000	150,000	100,000	35,000	50,000	100,000	50,000	100,000	60,000	60,000	150,000	935,000
August 18	45,000	50,000	30,000	150,000	100,000	35,000	50,000	100,000	50,000	100,000	60,000	60,000	150,000	935,000
September 18	50,000	50,000	30,000	150,000	100,000	35,000	50,000	100,000	50,000	100,000	60,000	60,000	150,000	935,000
October 18	50,000	50,000	35,000	175,000	100,000	40,000	50,000	100,000	50,000	100,000	60,000	60,000	150,000	970,000
November 18	60,000	50,000	35,000	175,000	100,000	40,000	50,000	100,000	50,000	100,000	60,000	60,000	150,000	970,000
December 18	60,000	50,000	35,000	200,000	100,000	40,000	50,000	100,000	50,000	100,000	60,000	60,000	150,000	995,000
Total	**525,000**	**540,000**	**435,000**	**1,675,000**	**1,200,000**	**390,000**	**650,000**	**960,000**	**605,000**	**1,200,000**	**805,000**	**615,000**	**1,675,000**	**11,275,000**

Revised: 3/28/18

AR 26

MEMORANDUM

TO: FILE

FROM: MURTHLYN ALDRIDGE, CONTRACTING OFFICER

SUBJECT: CANCELLATION DECISION – SOLICITATION NO. ED-FSA-16-R-0009 DEBT COLLECTION SERVICES

DATE: 05/3/2018

On January 11, 2018, under solicitation No. ED-FSA-16-R-0009 Debt Collection Services, Federal Student Aid (FSA) awarded contracts for Debt Collection Services to Performant Recovery, Inc. and Windham Professionals, Inc.

Subsequent to the issuance of those awards, FSA Business Operations informed FSA Acquisitions that FSA's needs and requirements for servicing student loans in delinquency and default will change significantly in the near future. Based on my review of FSA's revised requirements, I have determined that the contracts awarded under Solicitation ED-FSA-16-R-0009 will not satisfy FSA's new requirements and therefore are no longer needed. FSA's new vision is for an enhanced servicer(s) to provide services to borrowers beginning ninety (90) days after a borrower account becomes delinquent and continue those services through the resolution of any subsequent default. As a result, FSA's need for Private Collection Agency (PCA) services as a function separate from the work provided by the enhanced servicer(s) will diminish rapidly in the coming months and ultimately become nonexistent.

There is presently more than sufficient capacity, through at least 2024 to perform any Debt Collection Services that may be needed during FSA's transition to the new enhanced servicer(s) obviating the need for additional PCA contracts. I have also determined that the current Solicitation did not solicit, and will not meet, the needs and requirements of FSA for the work to be performed by the enhanced servicer(s).

Solicitation No. ED-FSA-16-R-0009 Debt Collection Services was issued with requirements for a Defaulted Service Provider(s) to service borrower accounts that are 360 days or more delinquent. Under the scope of work, the Defaulted Service Provider(s) would contact borrowers and work to resolve their student loan debt via collection of payment(s), rehabilitation, consolidation and/or involuntary payment programs such as Administrative Wage Garnishment (AWG) and Treasury Offset Program (TOP).

One of FSA's goals is to provide and deliver a higher level of services to borrowers. In order to meet this goal, FSA has determined that the focus needs to be on reducing the volume of borrowers that default and improving customer service to delinquent borrowers. In order to achieve this under FSA's new strategy, FSA will need to service borrower accounts starting at 90 days or more delinquent versus 360 days or more delinquent. Based on this change, borrowers who are 90 days or more delinquent will not be kept in the current non-default portfolio. Instead, a new portfolio will be created for all borrower

accounts that are 90 days or more delinquent. FSA Business Operations has identified significant benefits to the Government and to borrowers from this new approach including: improved customer service, decreased security risks and decreased costs.

As a result of this new approach, FSA will need a contractor(s) that will focus solely on the resolution of delinquencies and collection activities for the new portfolio of work that will be comprised of accounts beginning at 90 or more days delinquency. The contractor(s) will provide all aspects of collection and default resolutions related to servicing borrower accounts in repayment including entitlements such as deferments, forbearances, repayment plans discharge/forgiveness, etc. and the same contractor(s) will be able to handle post default collections such as AWG and TOP. All proposed changes to current collection practices will be reviewed to ensure legal compliance with the Higher Education Act, Department and Treasury regulations, and other applicable regulations before they are implemented.

In addition, based on input from FSA Business Operations, I have determined that the current volume of defaulted borrowers portfolio can be handled successfully by the eleven (11) small business contractors currently providing Debt Collection Services. The eleven (11) small businesses are presently under their base period of performance which ends on September 30, 2019. Thereafter, FSA has the option of extending those contracts for an additional 5 years through September 30, 2024. Presently, the eleven small businesses are capable of handling approximately 750,000 new accounts per month. Specifically, FSA projects that, at most (even without considering the transition to the enhanced servicer(s), FSA would need to place approximately 120,000 accounts on a monthly basis. In short, FSA has more than sufficient capacity under the existing contracts, even if the plan changes or is delayed for a significant period of time.

I note further that there are currently two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery. Therefore, if there is a need to solicit for additional contractors to handle this portfolio while FSA transitions to its new strategy, the Department would also consider whether such work should be appropriately set-aside for small business concerns.

Based on the information above, as the Contracting Officer, I have determined that Solicitation No. ED-FSA-16-R-0009 Debt Collection Services no longer accurately reflects FSA's needs and requirements and any amendment proposed would be so substantial as to exceed what prospective offerors reasonably could have anticipated, so that additional sources likely would have submitted offers had the substance of the amendment been known to them. Therefore in accordance with FAR 15.206(e) – Amending the Solicitation, I have determined that the cancellation of this Solicitation and the issuance of a new Solicitation that more accurately reflects FSA's new needs and requirements are appropriate.

Murthlyn Aldridge

Murthlyn Aldridge, Executive Business Advisor/Contracting Officer
Federal Student Aid
Acquisitions

CERTIFICATION OF CONTRACTING OFFICE ADMINISTRATIVE RECORD
For Cancellation of Solicitation No. ED-FSA-16-R-0009 and
Contract Nos. 910031-18-D-0001; 910031-18-D-0002

I, Murthlyn Aldridge, Contracting Officer and custodian of the contracting office files for the above referenced procurement in the Department of Education, hereby certify that to the best of my knowledge and belief, and after careful review, that the foregoing documents constitute the record of administrative actions performed in the cancellation of the above-referenced Solicitation and Contracts and relevant to the issues raised in the plaintiffs' complaints. The documents contained in the administrative record are the documents required to be maintained in accordance with this agency's procurement regulations FAR § 4.803, as well as documents identified in Appendix C to the Rules of the United States Court of Federal Claims.

Executed, June 29, 2018

Murthlyn Aldridge